

# SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

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Prepared By: Ways and Means Committee

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BILL: CS/SB 2548

INTRODUCER: Ways and Means Committee and Senator Carlton

SUBJECT: State Financial Matters

DATE: April 4, 2006

REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	McVaney	Coburn	WM	Fav/CS
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## I. Summary:

Chapter 216, Florida Statutes, the planning and budgeting law, provides guidelines to the Governor, the judicial branch, and state agencies for developing and submitting legislative budget requests and administering legislative appropriations.

This bill:

- Provides legislative oversight in interfund transfers when a deficiency exists in a trust fund;
- Provides legislative oversight when the Governor proposes to shift funds for emergencies after the declaration of emergency has expired or has been terminated;
- Provides standardization in the composition of the consensus estimating conferences;
- Changes the process for performance budgeting;
- Clarifies the notice and review procedures used in the budgetary process to allow differing periods of notice;
- Requires a detailed plan prior to the distribution of a lump sum appropriation;
- Prohibits an agency from granting general salary increases without specific legislative authorization, and
- Modifies the certification forward process.

This bill substantially amends, creates, or repeals ss. 11.243, 11.513, 20.435, 215.18, 215.3206, 215.3208, 215.35, 215.422, 215.97, 216.011, 216.013, 216.023, 216.134, 216.136, 216.177, 216.181, 216.1815, 216.1827, 216.251, 216.292, 216.301, 252.37, 273.02, 273.025, 273.055, 274.02, 338.2216, 1011.57, and 215.29, Florida Statutes.

## **II. Present Situation:**

Chapter 216, Florida Statutes, the planning and budgeting law, provides guidelines to the Governor, the judicial branch, and state agencies for developing and submitting legislative budget requests and administering legislative appropriations.

### *Performance Measures and Standards*

Each year, as part of the legislation implementing the General Appropriations Act, the Legislature adopts performance measures and standards for each state agency.

Section 11.513, F.S., sets forth a process for program evaluation and justification review by the Office of Program Policy Analysis and Government Accountability. To assist in these reviews, each state agency's inspector general or other designated person is required to develop a plan for monitoring and reviewing the agency's major programs to ensure that performance data is maintained and supported by agency records.

Section 216.013, F.S., requires each state agency to develop long-range program plans. As a part of these plans, the agency must identify and update information regarding performance measurement. After the General Appropriations Act is adopted each year, each state agency is required to make appropriate adjustments to the agency long-range plan, taking into account appropriations and performance measures adopted by the legislature.

Section 216.023, F.S., requires each agency to include in its legislative budget request the legislatively approved output and outcome performance measures and any revisions proposed by the agency.

### *Interfund Loans and Financing of Disaster*

Section 215.18, F.S., allows the Governor to transfer temporarily monies in one fund to meet the temporary deficiencies of another fund, without resorting to borrowing money and paying interest on the amount borrowed. However, the trust fund receiving the money must repay the other fund no later than the end of the fiscal year. There is no specific statutory requirement for the Governor to notify the legislature of the transfer or seek consent from the legislature.

Section 252.37, F.S., allows the Governor to transfer and expend monies appropriated for other purposes during a declared emergency if the demands created by the emergency upon the regularly appropriated funds are unreasonably great. After the declaration of emergency has expired or terminated, the Governor is permitted to process a budget amendment under the notice and review procedures set forth in s. 216.177, F.S., to transfer moneys to satisfy the budget authority granted for the emergency.

Section 216.177, F.S., requires agencies to give the legislature certain notice of budget actions. If the presiding officers or the chair and vice chair of the Legislative Budget Commission find that the agency action is contrary to legislative intent and policy or exceeds delegated authority, those persons may object to the action – requiring the Governor to void the action until the Commission or the Legislature addresses the issue.

*Budget Amendments*

Section 216.181, F.S., provides that the General Appropriations Act and other acts containing appropriations shall be considered the approved operating budget for operational and fixed capital outlay expenditures. The approved operating budget may be modified under certain circumstances.

Section 216.181, F.S., delegates to the Governor, for the executive branch, and the Chief Justice, for the judicial branch, the authority to increase trust fund budget authority by up to \$1 million. The law delegates to the Legislative Budget Commission the authority to approve, upon the recommendation of the Governor or Chief Justice, an increase in trust fund budget authority in excess of \$1 million.

Section 216.292, F.S., delegates to the agency heads the authority to transfer funds within the approved operating budget in certain instances. So long as no category is changed by more than 5 percent of the original approved budget, or \$250,000, whichever is greater, an agency head is permitted to transfer budget authority (a) between appropriation categories within the same budget entity, and (b) between budget entities within identical categories. The agency head is also permitted to transfer funds within programs identified within the General Appropriations Act from identical funding sources between specific appropriation categories as long as the transfer does not result in an increase to the total recurring general revenue or trust fund cost of the agency in the next fiscal year. Notice of this actions must be given to the Governor and Legislature at least 3 days prior to implementation to permit a limited review of the action by the Governor and Legislature.

Section 216.292, F.S., delegates to the Legislative Budget Commission the authority to approve, upon the recommendation of the Governor or Chief Justice, a transfer of general revenue funds within a state agency or the judicial branch and a transfer of trust fund budget authority in excess of the agency head's discretion.

Notice of budget amendments must be provided to the chair and vice chair of the Legislative Budget Commission at least 14 days prior to the action or at least 3 days prior to a release of funds. The chair and vice chair of the Legislative Budget Commission or the presiding officers of the Legislature may object to a budget action if notice is provided in writing to the Governor, for the executive branch, or the Chief Justice, for the judicial branch, that such action exceeds delegated authority or is contrary to legislative policy and intent. If such notice is given, the Governor or Chief Justice must void such budget action until the Legislative Budget Commission or Legislature addresses the issue.

*Certified Forwards*

Section 216.301, F.S., requires each agency head to certify to the Executive Office of the Governor on or before August 1 of each year the balance of any appropriation not disbursed but expended, contracted or committed to be expended by June 30. Any encumbered balance remaining undisbursed on September 30 reverts to the fund from which appropriated.

The unexpended balance of any appropriation for fixed capital outlay subject to, but not under the terms of, a binding contract by February 1 after the date of certification, or the second February if the project is an educational facility or a construction project for a university, shall revert and be available for reappropriation.

### **III. Effect of Proposed Changes:**

**Section 1** amends s. 11.243, F.S., to require proceeds from the sale of Florida Statutes be deposited into the Grants and Donations Trust Fund within the Legislature.

**Section 2** amends s. 11.513, F.S., to require each agency's inspector general or other designated staff to develop a plan for monitoring and reviewing the agency's main programs so that performance measures and standards are maintained and supported by the agency's records. In addition, the Office of Program Policy Analysis and Government Accountability (OPPAGA) is permitted to perform evaluations and justification reviews to determine the adequacy of current agency performance measures and standards. This section also clarifies that the provisions are applicable to the judicial branch.

**Section 3** amends s. 20.435, F.S., and changes the term "certified" pertaining to the certification forward of unspent budget authority to "carry forward" to conform to changes in s. 216.301, F.S.

**Section 4** amends s. 215.18, F.S., to require that any action proposing an interfund transfer to address a cash deficiency be subject to the notice and objection procedures of s. 216.177, F.S. The notice and objection procedures permit the Legislature to object to an action if the action is inconsistent with legislative intent and policy.

**Section 5** amends s. 215.3206, F.S., and allows the identification of trust funds to be established pursuant to legislative budget instructions for purposes of review by the Governor, Chief Justices and agencies.

**Section 6** amends s. 215.3208, F.S., and allows the identification of trust funds to be established pursuant to legislative budget instructions for purposes of legislative review of trust funds.

**Section 7** amends s. 215.35, F.S., and requires the Chief Financial Officer to uniquely identify all warrants for purposes of audit and reconciliation. Removes language that contains specific requirements to number warrants by fiscal year and to include the voucher number on the warrant.

**Section 8** amends s. 215.422, F.S., and revises the current prompt payment process to facilitate transition to a new accounting system to provide the ability for the Chief Financial Officer to improve federal reporting. It replaces the term "voucher" with "invoice". It clarifies that agencies need to approve the invoice in the state financial system within 20 days. It defines as an error, the failure to submit the proper tax payer identification information documentation by a vendor, and requires the proper tax payer identification information documentation to be submitted before the prompt payment standards are to be applied.

**Section 9** amends s. 215.97, F.S., to change the method of tracking state financial assistance expenditures in order to accommodate changes to the state's financial system.

**Section 10** amends s. 216.011, F.S., to define "incurred obligation" for purposes of financial matters. It also amends s. 216.013, F.S., and defines Salary Rate Reserve for purposes of managing the approved budget, and it provides that capitalization threshold provisions relating to Operating Capital Outlay are defined pursuant to s. 273.025, F.S.

**Section 11** amends s. 216.013, F.S., to require each agency's long-range program plan to include information regarding the current performance measures and standards and whether any measures and standards have been modified or added.

**Sections 12** amends s. 216.023, F.S., to remove references to performance measures and standards from requirements for submission of legislative budget requests by agencies and the judicial branch.

**Section 13** amends s. 216.134, F.S., to include in the general provisions relating to estimating conferences the standardized composition of the each estimating conference and the rotation of responsibility to preside over sessions of the estimating conferences.

**Section 14** amends s. 216.136, F.S., to make changes which conform to section 13.

**Section 15** amends s. 216.177, F.S., to clarify the notice and objection procedures used in the budgetary process to allow different notice periods (rather than the usual 14 day period).

**Section 16** amends s. 216.181, F.S., and requires the Executive Office of the Governor or the Chief Justice of the Supreme Court to submit a detailed plan to allocate lump-sum budget categories to the chairs of appropriations committees.

**Section 17** amends s. 216.1811, F.S., and requires the Governor and Chief Financial Officer to make changes to the original approved operating budgets as directed by presiding officers of the Legislature.

**Section 18** amends s. 216.1815, F.S., to delete a reference to the Legislature establishing the performance standards governing an agency.

**Section 19** creates s. 216.1827, F.S., to provide a new process for the maintenance and review of the agency performance measures and standards.

Each state agency will be required to maintain the current performance measures and standards approved by the Legislature for Fiscal Year 2006-07. Without legislative approval, an agency may delete no more than 5% of its existing approved performance measures or reduce more than 5% of the existing standards. Guidelines for modifying measures and standards are provided to preserve legislative intent and policy.

The Legislature retains oversight of the process and may create or amend performance measures and standards.

**Section 20** amends s. 216.251, F.S., to prohibit an agency from providing general salary increases or pay additives without specific legislative authorization.

**Section 21** amends s. 216.292, F.S., to make conforming changes and to clarify that the provisions are not applicable to the budgets of legislative entities.

**Section 22** amends s. 216.301, F.S., as amended by Ch. 2005-152, L.O.F., to revise the process relating to the certification forward of unspent budget authority. It changes the date by which the Governor's Office of Planning and Budgeting must furnish Fixed Capital Outlay budget reversions to the Chief Financial Officer from February 20<sup>th</sup> to February 28<sup>th</sup>.

**Section 23** amends s. 252.37, F.S., to require approval of the Legislative Budget Commission when the Governor proposes a budget amendment transferring funds to meet emergency expenditure after the executive order related to that emergency has expired.

**Section 24** amends s. 273.02, F.S., and provides that procedures for recording property in the state's financial system for purposes of inventory will be established by rule by the Chief Financial Officer.

**Section 25** creates s. 273.025, F.S., and provides that capitalization requirements for property recorded in the state's financial system will be established by rule by the Chief Financial Officer.

**Section 26** amends s. 273.055, F.S., and transfers the Auditor General's rule making responsibilities relating to state owned tangible personal property to the Chief Financial Officer.

**Section 27** amends s. 274.02, F.S., to provide that the requirements for recording property will be established by rule rather than statute. It transfers responsibility from the Auditor General to the Chief Financial Officer.

**Section 28** amends s. 338.2116, F.S., and changes the date by which the Department of Transportation's unspent budget shall be carried forward to September 30<sup>th</sup>.

**Section 29** amends s. 1011.57, F.S., and changes the term "certified" pertaining to the certification forward of unspent budget authority to "carry forward" to conform to changes in s. 216.301, F.S.

**Section 30** repeals s. 215.29, F.S., which had required the CFO to classify all disbursements by entity and expenditure category.

**Section 31** provides that this act shall take effect July 1, 2006, except as otherwise provided in the bill.

**IV. Constitutional Issues:****A. Municipality/County Mandates Restrictions:**

None.

**B. Public Records/Open Meetings Issues:**

None.

**C. Trust Funds Restrictions:**

None.

**D. Other Constitutional Issues:**

None.

**V. Economic Impact and Fiscal Note:****A. Tax/Fee Issues:**

None.

**B. Private Sector Impact:**

None.

**C. Government Sector Impact:**

None.

**VI. Technical Deficiencies:****VII. Related Issues:**

None.





## **VIII. Summary of Amendments:**

None.

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This Senate staff analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.

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